



OVERVIEW OF THE STANDARD BENEFITS AND TAX CONCESSIONS
RELEVANT TO FAMILY POLICY AND THE AMOUNTS INVOLVED
IN THE FEDERAL REPUBLIC OF GERMANY

as of 13st March 2007

I. Important benefit elements which contribute to the equalisation of family burdens

1. Family allowance (Kindergeld)

The family allowance is paid for all children up to the age of eighteen. From 1st January, 2007, the period during which the family allowance is paid has been prolonged up to the age of 25 for children undergoing training, and up to age 21 for children without a job. For children undergoing training, who reach the age of 26 and 27 years (birth years 1980-1981), the period during which the family allowance is paid will be continued up to the age of 27; for children undergoing training, who turn 25 in 2007 (birth year 1982), it will be paid until the age of 26 years. Should military or civilian service (which suspend the payment of family allowance) be undertaken by the child during this period, the maximum age-limit is adjusted correspondingly. There is no age-limit for handicapped children who are unable to earn their living.

Children over the age of 18, with an income of their own exceeding € 7,680 per year, are generally not eligible for family allowance.

Family allowance is not income-related and is awarded in the form of a tax refund. In certain instances, parents who are not subject to unlimited income tax liability are paid their family allowance as a monthly social security benefit. It is staggered according to the number of children, and the rates applicable since 1st January 2002 are

for child one and two and three	€ 154 per month
for child four and more	€ 179 per month

Dienstsitz Berlin

Postadresse:
11018 Berlin

Hausadresse:
Alexanderstraße 3
10178 Berlin

Dienstsitz Bonn

Postadresse:
53107 Bonn

Hausadresse:
Rochusstraße 8-10
53123 Bonn

Internet-Adresse:

<http://www.bmfsfj.de>
Tel.:
+49 (0)1888 555-0

Telefax:

+49 (0)1888
555-1145

The family allowance is usually paid out by the local family cash desks at the labour office. The family allowance is paid out to the person who has the care of the child (e.g. in the case of single parents).

These benefits are funded by the Federal Government (74%) and the Laender (26%).

2. Child-raising allowance (*Erziehungsgeld*) for children born up to 31st December 2006

The Federal Child-Raising Allowance Act (*Bundeserziehungsgeldgesetz*) was replaced on 1st January 2007 by the Federal Act on Parental Allowance and Parental Leave. The provisions contained in the Federal Child-Raising Allowance Act continue to apply to all children born before that date.

Mothers or fathers who take care of their newly-born child themselves, receive a child-raising allowance of up to € 300 per month, up to the end of the child's 24th month of life. An alternative offer is the payment of a child-raising allowance in the form of a budget of up to € 450 per month until the child's first birthday. While in receipt of this benefit, parents are entitled to work up to 30 hours a week.

The child-raising allowance is income-dependent. In the first six months after the child's birth, they receive the full rate of € 300 and/or, in case of the budget payment, € 450 per month if the overall net annual income does not exceed € 30,000 (married couples with one child) and/or € 23,000 (single parents). Parents who exceed this income ceiling, do not qualify for child-raising allowance. Child-raising allowance is gradually reduced from the child's seventh month of life onwards, for parents with one child who have an annual income exceeding € 16,500, or € 13,500 in the case of single parents. The income ceiling rises by € 3,140 in each case with the second and every additional child born in the family.

Child-raising allowance is generally reduced by the amount of maternity allowance that the statutory health insurance fund grants to female employees, following childbirth.

This benefit is wholly funded by the Federal Government.

3. Parental allowance (*Elterngeld*) for children born from 1st January 2007

Gainfully employed parents, who interrupt or reduce gainful employment because of the birth of a child, receive a monthly parental allowance of at least 67% of the lost net income, but a

maximum of € 1,800. The parental allowance will be at least € 300 per month. Parents with low incomes amounting to an average of less than € 1,000, will receive an increased parental allowance. Unemployed parents will receive the minimum allowance of € 300. Persons receiving a parental allowance may work for a maximum of 30 hours per week.

Families with more than one child may obtain a 'sibling bonus' (*Geschwisterbonus*). To this end, in determining the income level prior to the birth of the second or further child, the previous periods – for which maternity allowance and parental allowance were obtained – are excluded. The parental allowance to which the family is then entitled, is increased by 10 percent, or at least by €75 per month.

The parental allowance can be claimed in the first 14 months of a child's life. One parent can apply for a maximum of 12 months' parental allowance. Parents are entitled to an additional two months' allowance if the other parent also receives at least two months' parental allowance (bonus partner months).

The prerequisite for the bonus partner months is that the other parent is not employed for more than 30 hours per week. Furthermore, one of the two parents must reduce their income from gainful employment for at least two months (for example by reducing their working hours during parental leave or during maternal leave).

The period in which a mother receives maternal allowance, including the employer's supplement, will be taken into account in calculating the period during which she receives the parental supplement.

Payer of the benefit: the Federal Government (100%)

4. Parental leave (formerly known as: child-raising leave - *Erziehungsurlaub*)

Gainfully employed mothers or fathers are entitled to take parental leave up to the child's third birthday. This also applies to full-time foster parents. Parents can take parental leave separately or simultaneously for the whole or for a limited period of time. It is also possible to take advantage of parental leave only for the partner months. Parental leave is considered separately for each parent. Furthermore, with the consent of their employer, parents are now allowed to postpone up to one year of parental leave, up until the child's eighth birthday. During parental leave, a parent may work for up to 30 hours a week. Moreover, parents are entitled to do part-time

work during the period of parental leave in cases where the employer has more than 15 employees, if no urgent, company-internal reasons go against it, if the employee (male or female) has been employed with the company for over six months and the part-time employment is pursued for at least two months.

5. Maternity allowance (*Mutterschaftsgeld*), employer's contribution (*Arbeitgeberzuschuss*)

During the period of maternity protection - six weeks before and, as a rule, eight weeks after the birth of the child - gainfully employed women are granted maternity allowance. Mothers who are insured with the statutory health insurance receive up to € 13 per day. The difference between the € 13 and the women's average daily net income is paid by the employer. This difference is also paid to gainfully employed mothers who are not members of the statutory health insurance fund. In addition, the Bonn-based Federal Insurance Office grants her a one-off maternity allowance amounting to € 210.

Provider of funds for this benefit: the statutory health insurance funds, the employer and the Federal Government.

6. Advance child maintenance payment (*Unterhaltsvorschuss*)

The advance maintenance payments cash desk comes to the assistance of single mothers and fathers if the other parent fails to make his/her maintenance payments.

Advance child maintenance payments benefits (from 1 July 2005 onwards)	Children under 6 years	Children from 6 to less than 12 years
in the old Federal Laender	€ 127 per month	€ 170 per month
in the new Federal Laender	€ 111 per month	€ 151 per month

Advance child maintenance payments are paid for a maximum of 72 months; however, the maximum age-limit is 12 years.

Provider of funds: one-third is paid by the Federal Government, the remaining two-thirds can be split by the Federal Laender between themselves and the municipalities.

Wherever possible, the State recovers the advance child maintenance payment from the parent who has defaulted on the payments.

7. Supplementary child allowance (*Kinderzuschlag*)

A supplementary child allowance of 140 € per child was introduced on 1st January 2005. Parents will be eligible if their children live in the household and if the parents are also receiving family allowance for them. The parents must possess either an income or property which covers their personal needs. The latter will be calculated according to Unemployment Benefits II. Should the parents' earned income exceed their personal needs, the supplementary child allowance is reduced by seven Euro for every ten Euro which the parents earn in excess of their needs. In other words, only 70% of the earned income is taken into account. However, parents' income and property may not exceed a certain maximum value. If parents earn so much that they would be able to pay for their children's upkeep and their own, they are not entitled to a supplementary child allowance. The child's own income, such as child maintenance, advance child maintenance or orphan's benefit, also has the effect of reducing the supplementary child allowance.

The supplementary child allowance is a family benefit. Consequently, it is logical for it to be regulated in the Federal Child Benefits Act and paid by the Family Benefits Department (*Familienkassen*) which already have a record of the children for whom the person is receiving family allowance. The payment of the supplementary child allowance is limited to a period of 36 months.

8. Assistance for education (*Ausbildungsförderung - BAföG*)

Pupils and students pursuing post-basic education (school and university) are entitled to assistance for education in cases where, as a result of the family's financial situation, an education consistent with the child's aptitude, inclination and academic performance would otherwise not be possible.

The Federal Act on Education Assistance (BAföG) provides for monthly flat rates based on assessed needs. The level of need varies according to the type of education pursued (school, university etc) and the accommodation situation (living at home or away from home). The amount of education assistance a trainee/student receives depends on his/her income and/ or that of his/her spouse and parents. In exceptional instances, the parents' income will be disregarded. Family allowance is not taken into account as income.

The maximum awarded to students at universities living away from home is € 521, including health and long-term nursing care insurance supplements and, in case of above-average rents, € 585.

Half of the payment made to students is awarded as a grant and the other half as an interest-free loan. The interest-free loan must be repaid five years after the maximum assistance period ends, in instalments of at least € 105 per month for a maximum period of 20 years. The total debt burden resulting from this state loan is limited to € 10,000 for segments of studies commencing after 28th February 2001. Repayment of the loan is regulated in a family-friendly way. Anyone who is not or only insignificantly employed, or who is taking care of and raising either a child under the age of 10 or a disabled child, and earns only a small salary, is exempted, on application, from repayment of the monthly instalment throughout this period.

Funding for pupils is awarded as grants only.

Providers of funds for this benefit: the Federal Government (65%) and the Federal Laender (35%).

9. Vocational Training Allowance under the Social Code Book III (*Berufsausbildungshilfe nach dem SGBIII*) - Employment promotion

The vocational training allowance for trainees and persons participating in vocational pre-training schemes is a subsidy towards maintenance and training costs. It is granted under specific circumstances to provide financial assistance during

- in-plant training or external training,
- pre-training measures.

As a rule, the allowance rate depends on the income of the trainees, their parents and spouses; only in the case of pre-training measures, is the income level disregarded.

10. Housing allowance (*Wohngeld*)

The housing allowance is granted to low-income households as a rent subsidy in order to reduce the cost of appropriate and family-oriented housing. It is also granted to low-income owner-occupiers as a mortgage subsidy.

The amount paid depends on the total family income, the number of family members still living in the household, the subsidisable amount of rent paid, or loan instalments per month within the limits of fixed maximum amounts.

The subsidisable rent or loan instalment ceilings depend on the rent category in which the municipality falls.

The basis for calculation is the gross rent, exclusive of heating.

Providers of the funds for this benefit: the Federal Government (50%) and the Federal Laender (50%).

11. Statutory pension insurance

a) *Child-raising periods*

Mothers or fathers born from 1921 onwards in the old Federal Laender, and from 1927 onwards in the new Laender, have their child-raising periods credited as periods of mandatory contribution to the statutory pension insurance, which either makes them qualify for or increases their pensions.

These child-raising periods are credited ('additively') in addition to already existing, simultaneously running, contribution periods (e.g. on account of gainful employment) - up to an annually adjusted ceiling which applies to the entire statutory pensions insurance.

The value of the pension qualified for by child-raising, is a function of the average income (approx. € 2,442 gross), which translates as follows:

for children born up to 31.12.1991	1 year child-raising period per child	pension contribution € 26.13 (West) and € 22.97 (East) per child and month
for children born from 1.1.1992	3 years child-raising period per child	pension contribution € 78.39 (West) and € 66.91 (East) per child and month

b) *Upgrading of pension expectancies accrued during the parental period*

In order to cushion the impact, in pension law terms, of low incomes subsequent to the three-year child-raising period, the *accrued pension rights* of persons bringing up children who, while gainfully employed during the first ten years of the child's life (parental period), earn a below-average salary, for example because they work part-time, owing to their child-raising tasks, are *upgraded* for the purposes of pension calculation.

This upgrading applies to parental periods from 1992 onwards, which means they can also qualify a carer for upgrading if the children are born in the 10-year period before 1992.

From the child's fourth year of life onwards, the pension contributions of these child-raisers are upgraded by 50% to a maximum of 100% of the average income. Consequently, child-raisers

with an income amounting to two-thirds of the average earnings acquire the same pension claims as average-income earners.

Thanks to the upgrading, a woman who works part-time and has one child, can receive additional monthly pension benefits of up to € 60.

Child-raisers with two or more children under 10 years always receive the maximum benefit as stated, irrespective of whether and the extent to which they are gainfully employed.

c) *Survivors' pensions*

Since 2002, child-raising tasks are also reflected in the amount of *survivor's pension* the child-raiser receives.

The extra allowance added to the survivor's pension is currently:

for the first child	€ 52.26 (West) and € 45.94 (East)
for every additional child	€ 26.13 (West) and € 22.97 (East)

Since 1st January 2005, the regulations governing the survivor's pension also apply to registered homosexual partnerships.

12. Statutory health insurance

Some 70 million people (85% of the population of the Federal Republic of Germany) are currently insured with the statutory health insurance. In principle, spouses, registered homosexual partners and under-age children are co-insured free of charge if their monthly income does not exceed the limit of € 350 (or € 400 in the case of casual employment). In principle, children are co-insured free of charge up to the age of 18. The family insurance ends for unemployed children when they are 23 years of age. It ends at age 25 for children undergoing schooling or vocational training or undertaking a voluntary social or ecological year. If the child's schooling or vocational training is interrupted or delayed as a result of the fulfillment of statutory public duty (military or civilian service), coverage continues beyond the 25th birthday for the corresponding period. No age limit applies, in principle, to children who, owing to physical, mental or psychological disabilities, are unable to provide for themselves.

13. Social long-term care insurance

Parents pay a smaller contribution to the social long-term care insurance. Adopted children, step-children and foster children are also taken into account. Childless persons pay a supplementary contribution of 0.25% of their gross income in addition to the general contribution of 1.7%, half of which is paid up by their employer.

II. Important components of the principle of the equalisation of family burdens in the levying of income tax

1. Tax abatements for dependent children and child-care or education (*Kinderfreibetrag und Freibetrag für Betreuung oder Ausbildung*)

In most cases the tax abatement for dependent children amounting to € 3,648 for married couples and € 1,824 for single parents, and the tax abatement for child-care, education or training which amounts to € 2,160 for couples and € 1,080 for single parents, are fully covered by family allowance. Only in those cases where the amount of the family allowance paid does not fully match the burden-easing effect of the foregoing two tax abatement schemes, are they taken into consideration, in the following year, as income tax is assessed by the tax office. This is commonly only the case with higher incomes. In these cases, the family allowance paid is included when the abatements are being calculated.

2. Taking account of child-care costs in income tax calculations

Regulation as of 1st January 2006:

Gainfully employed single parents, and couples where both partners are employed, can receive tax abatements for children, from birth to age 14, for two-thirds of their child-care costs up to a maximum of € 4,000 per year and child by declaring them as income-related expenses or running costs. If the single parent or one partner is sick, disabled or in training and the other is gainfully employed or also sick, disabled or in training, the same possibilities exist, albeit within the framework of 'extraordinary expenses'.

All other parents can also receive tax relief for two-thirds of their child-care costs (up to a maximum of € 4,000 per child and year) for children aged 3 to 6 years by declaring them as 'extraordinary expenses'.

3. Mini-jobs and services in private households

Private households may receive tax abatements for expenditure on child care, the care of relatives needing assistance, for household activities, as well as for renovation and maintenance work done by craftsmen. The amount depends on the type of employment relationship and the service rendered. In any event, proof of the particulars is necessary for tax consideration.

Tax deductible are the following:

- Mini-jobs:

10% of the expenditure, but a maximum of € 510 per year

Proof required: attestation by the Federal Miner's Insurance Fund (*Bundesknappschaft*) owing to the household check procedure;

- Jobs which are liable to mandatory social insurance contributions:

12% of the expenditure, not exceeding € 2,400 per year

Proof required: social insurance statement;

- Household services in one's own household:

a) for home help services, child care and nursing care:

20% of the expenditure, but not exceeding € 600 per year

When claimed for nursing care and other care services, the maximum limit doubles to € 1,200 per year

Proof required: the bill and the bank transfer slip:

b) for maintenance, renovation and modernisation measures:

20% of the labour costs, but not exceeding € 600 per year

Proof required: the bill and the bank transfer slip.

4. Tax abatement for the education of dependent children (*Ausbildungsfreibetrag*)

Parents of of-age children attending school or vocational training who are living away from home, are eligible to a tax abatement of up to € 924 per calendar year towards their special requirements.

The prerequisite is that the parents receive a family allowance or tax abatement in respect of these children.

The tax abatement for the education of dependent children will be reduced by the amount of any publicly funded education allowances that are awarded as grants. If the child has income

and earnings of his/her own, they reduce the tax abatement for the education of dependent children, if they exceed an amount of € 1,848 per year.

5. Tax credit for single parents (*Entlastungsbetrag für Alleinerziehende*)

Single parents who are running a household alone with their children, for whom they are entitled to family allowance or tax abatements, are entitled to a tax credit of € 1,308 per year. The month principle applies to the tax credit. The tax credit will be taken into account on the tax return (Tax class II).

6. Maintenance payments (*Unterhaltsleistungen*)

Maintenance payments in respect of an eligible person for whom no family allowance or tax abatements for dependent children nor for child-care is granted are tax deductible up to a maximum amount of € 7,680 per year. If the person maintained has his/her own income and earnings, they affect the tax deductible maximum amount if they exceed € 624 per calendar year. The maximum amount will be reduced by the amount of any publicly funded education allowances that are awarded as grants.

7. Spousal income-splitting system (*Ehegattensplitting*)

Married couples who are not permanently separated may choose between joint or separate assessment of their taxes. In the case of joint assessment, which is most often the alternative of choice, the income of both spouses is added up. In order to determine the joint tax liability, the joint income is halved and the tax due on the halved income is then multiplied by two. In this way, the basic tax-free allowance for married couples, which is incorporated into the income tax rate, is in fact doubled and the progression of the income tax rate slowed down. This primarily eases the strain on one-income married couples.

8. State-subsidised capital-covered old-age provision

Since 1st January 2002, the State has been supporting the additional *capital-covered old-age provision* through premiums and favourable tax treatment.

Specifically, capital-covered old-age provision is supported via premiums and tax reliefs. It is being continuously built up from 2002 through 2008.

The maximum premium rates amount to:

Assessment period	2002/2003	2004/2005	2006/2007	2008
single persons	€ 38	€ 76	€ 114	€ 154
married persons	€ 76	€ 152	€ 228	€ 308
per child	€ 46	€ 92	€ 138	€ 185

To become eligible, candidates must save a certain percentage of the gross income that is subject to social insurance contributions. The percentage rates are the following:

Assessment period	2002/2003	2004/2005	2006/2007	2008
	1%	2%	3%	4%

However, even very low-income earners must make sure that their contributions do not fall short of a certain basic amount that, depending on civil status and number of children, varies between € 60 and 90 per year.